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Annual Report

1949

Forty-Fifth Year

NATIONAL Tools CLEVELAND

NATIONAL TOOL COMPANY

CLEVELAND, OHIO

DIRECTORS

HARRY W. BARKLEY - - - - - - - - - - Cleveland, Ohio
President, National Tool Company

GEORGE O. DESAUTELS - - - - - - - - - Indianapolis, Indiana
President, George O. Desautels Company

FRED V. GARDNER - - - - - - - - - - Milwaukee, Wisconsin
Senior Partner, Fred V. Gardner & Associates

LEWIS F. JUBENVILLE - - - - - - - - Orchard Lake, Michigan
Vice President, National Tool Company

SAMUEL J. KORNHAUSER - - - - - - - - - Cleveland, Ohio
Counselor at Law

J. VICTOR LOEWI - - - - - - - - - - Milwaukee, Wisconsin
President, Loewi & Company

JOHN S. PEARSON - - - - - - - - - - - New York City
Dobbs & Company

EXECUTIVE COMMITTEE

HARRY W. BARKLEY, Chairman

L. F. JUBENVILLE

J. VICTOR LOEWI

OFFICERS

HARRY W. BARKLEY - - - - - - - - - - Cleveland, Ohio
President and General Manager

LEWIS F. JUBENVILLE - - - - - - - - Orchard Lake, Michigan
Vice President

ARTHUR T. WEST - - - - - - - - - - - Cleveland, Ohio
Secretary and Treasurer

LEWIS M. SHAFER - - - - - - - - - - - Cleveland, Ohio
Assistant Secretary and Assistant Treasurer

REGISTRAR OF STOCK — CENTRAL NATIONAL BANK, Cleveland, Ohio

TRANSFER AGENT OF STOCK — CENTRAL NATIONAL BANK, Cleveland, Ohio

INDEPENDENT AUDITORS — HASKINS & SELLS

The Annual Meeting of Stockholders will be held on April 25, 1950. Notice of the Meeting and Proxy Form will be mailed to each holder of Common Stock on or about April 5, 1950

TO THE STOCKHOLDERS AND EMPLOYEES OF NATIONAL TOOL COMPANY

Net sales during 1949 were about thirteen per cent less than those in 1948. The output of the principal product, special cutting tools, fell approximately ten per cent. As such tools are indispensable to most metal working industries, the Company's pace is largely dependent on the rate of activity in this broad field. In view of the fact that the index for the metal working industries, in general, showed a greater proportionate drop in 1949, it is believed that National Tool Company again strengthened its position as a leading manufacturer of special cutting tools.

Net income for the year, $95,361, was derived entirely from operations. Though the net income for the year 1948 was $110,154, it included a non-recurring item of $13,091 representing interest earned on a refund of Federal Income and Excess Profits Taxes. Earnings per share in 1949 amounted to over forty-one cents on the 229,591 shares outstanding, in comparison with forty-eight cents per share earned in 1948.

In 1949, twenty cents per share, in four quarterly dividends of five cents each, was paid to over 1100 stockholders. A single dividend of fifteen cents per share had been paid in each of the preceding three years. Recently a cash dividend of five cents per share was declared for the first quarter of 1950.

The financial position of the Company was again strengthened during the year. Working capital at December 31, 1949, amounted to $763,053, and the ratio of current assets to current liabilities was almost five to one. Cash, United States Treasury Securities and Accounts Receivable alone totaled $614,389, or more than three times current liabilities. There are no bank loans outstanding at the present time, and two banks have extended current borrowing privileges considered ample for any working capital needs.

During the latter part of 1949, a $250,000 ten year, mortgage loan was negotiated with an insurance company. The purpose of the loan was to obtain funds to be used in making improvements in manufacturing facilities, and to place the Company in a position to develop broader diversification of its products and markets.

A step in this direction was the conclusion, during the year, of a contract with Bell & Howell Company of Chicago, Illinois, for the exclusive distribution of their new precision checking instrument, the Pocket Comparator. Literature describing this instrument is enclosed.

During 1949, cost factors remained more stable than in any post war year. Early in 1950, however, these began to show an upward trend which seems likely to continue throughout the year. Advances in sales prices, if required, will be made only to the extent warranted by increases in costs.

Aggregate orders entered since January 1, 1950 to the date of this report, are substantially greater than those received during the corresponding period of last year, and the backlog of unfilled orders is considerably larger than that existing in the middle of 1949.

The loyalty of the employees during the past year has contributed greatly to the progress made, and we are confident that a continuation of their cooperative spirit, coupled with contemplated improvements and economies in methods and procedures, will enable National Tool Company not only to maintain, but to advance, its position.

For the Board of Directors

HARRY W. BARKLEY

President

March 7, 1950

NATIONAL TO

BALANC

DECEMBER 31, 1

ASSETS	...DECEMBER 31... 1949	1948
CURRENT ASSETS:		
Cash	$ 117,135	$ 65,329
United States Treasury Securities at cost, and accrued interest	300,725	
Accounts receivable:		
Trade (less reserve for doubtful accounts of $5,884 for 1949)	192,999	269,589
Other	3,530	8,643
Inventories — at lower of cost or market:		
Finished and in-process products (less reserve for obsolescence of $3,000 for 1949)	154,752	208,134
Raw materials and supplies	186,611	163,590
Total current assets	$ 955,752	$ 715,285
MUTUAL INSURANCE DEPOSITS (NET) AND OTHER NON-CURRENT RECEIVABLES	$ 15,765	$ 16,996
PROPERTY, PLANT, AND EQUIPMENT (including $174,629 fully amortized emergency facilities):		
Land	$ 39,104	$ 39,104
Buildings	274,904	274,764
Machinery and equipment	770,502	796,040
Total	$1,084,510	$1,109,908
Less reserve for depreciation and amortization	538,636	538,985
Property, plant, and equipment — net	$ 545,874	$ 570,923
DEFERRED CHARGES:		
Deferred tool expense	$ 26,833	$ 46,335
Other	13,720	104
Total	$ 40,553	$ 46,439
TOTAL	$1,557,944	$1,349,643

NOTES:

1. Ten thousand shares of unissued capital stock c an officer of the Company until August 1, 19 shares and $6 a share for the additional five
2. The terms of the 4 3/8% mortgage payable pro holders which would reduce the Company's su the consent of the holder. At December 31, For Use In The Business) was $724,295.

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E SHEET

949 AND 1948

LIABILITIES

	...DECEMBER 31... 1949	1948
CURRENT LIABILITIES:		
Notes payable to bank		$ 60,000
Current portion of mortgage payable	$ 25,000	
Accounts payable:		
Trade	57,270	48,469
Other	3,422	3,546
Accruals:		
Federal income tax	54,500	67,500
Other taxes	10,816	12,759
Salaries, wages, and commissions	37,919	62,013
Miscellaneous	3,772	4,554
Total current liabilities	$ 192,699	$ 258,841
MORTGAGE PAYABLE, 4 3/8%, DUE IN ANNUAL INSTALMENTS OF $25,000 EACH BEGINNING JULY 1, 1951 (1950 installment included in current liabilities)	$ 225,000	
CAPITAL INVESTMENT AND EARNINGS RETAINED FOR USE IN THE BUSINESS:		
Common capital stock, authorized, 600,000 shares of $1 par value each; issued and outstanding, 229,591 shares — see Note 1	$ 229,591	$ 229,591
Excess of paid-in capital over amount assigned to capital stock (no change during the year)	136,916	136,916
Earnings since January 1, 1940 retained for use in the business ($724,295 restricted — see Note 2)	773,738	724,295
Total capital investment, etc.	$1,140,245	$1,090,802
TOTAL	$1,557,944	$1,349,643

of the Company are subject to a purchase option by 950 at a price of $5 a share for the first five thousand thousand shares.

vide that dividends or other distributions to stock- urplus at December 31, 1948 shall not be paid without 1949 the amount of such surplus (Earnings Retained

NATIONAL TOOL COMPANY

STATEMENT OF INCOME AND EARNINGS RETAINED FOR USE IN THE BUSINESS

For the Years Ended December 31, 1949 and 1948

	YEAR ENDED DEC. 31 1949	1948
SALES AND OTHER INCOME:		
Net sales	$2,377,964	$2,735,617
Other income	4,457	22,962
Total	$2,382,421	$2,758,579
LESS:		
Cost of goods sold (including depreciation of $62,605 for 1949, $63,859 for 1948)	$1,853,144	$2,138,693
Selling, general, and administrative expenses	373,479	439,097
Interest and debt expense	6,377	5,071
Total	$2,233,000	$2,582,861
NET INCOME BEFORE PROVISION FOR FEDERAL INCOME TAX	$ 149,421	$ 175,718
PROVISION FOR FEDERAL INCOME TAX	54,060	65,564
NET INCOME	$ 95,361	$ 110,154
EARNINGS RETAINED FOR USE IN THE BUSINESS, JANUARY 1	724,295	648,580
Total	$ 819,656	$ 758,734
LESS DIVIDENDS PAID	45,918	34,439
EARNINGS RETAINED FOR USE IN THE BUSINESS, DECEMBER 31	$ 773,738	$ 724,295

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TERMINAL TOWER
CLEVELAND, 13

ACCOUNTANTS' CERTIFICATE

National Tool Company:

We have examined the balance sheet of National Tool Company as of December 31, 1949 and the related statement of income and earnings retained for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and earnings retained for use in the business present fairly the financial position of the Company at December 31, 1949 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

March 2, 1950.

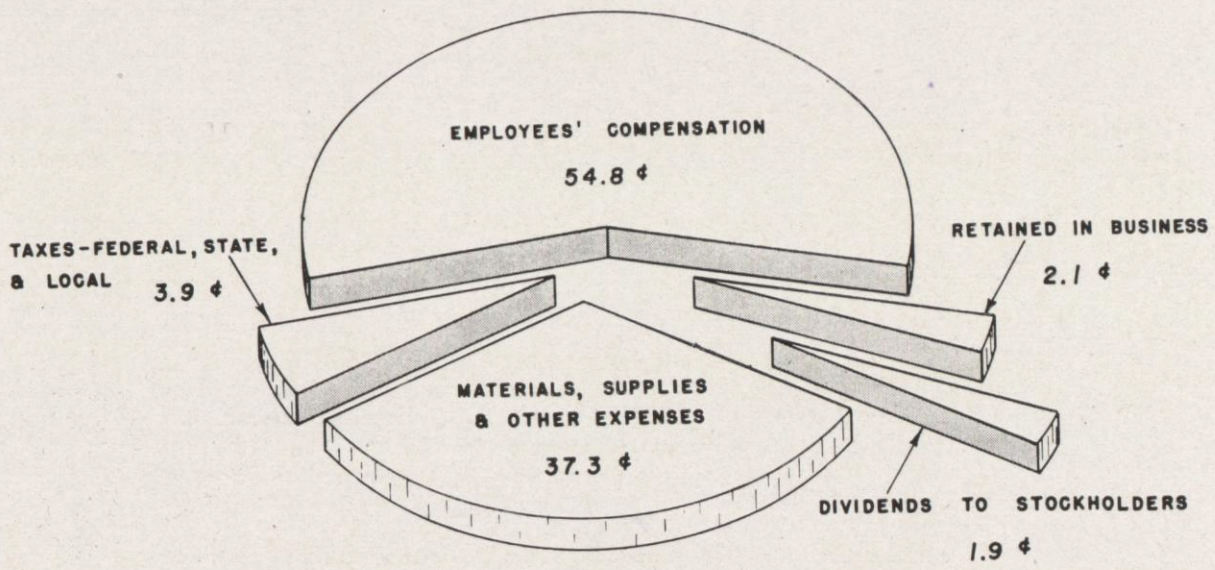
NATIONAL TOOL COMPANY

Ten Year Statistical Record

Year Ended Dec. 31	Net Profit For the Year	Net Profit Per Share	Cash Dividend Per Share of Common Stock	* Average Rate per Hour — Factory Employees	Net Profit Retained in Business	** Expenditures for Capital Additions and Improvements	Working Capital
1940	82,620	.40	-0-	.81	82,620	50,601	182,417
1941	230,708	1.05	25¢	.81	175,901	8,200	200,905
1942	147,741	.66	30¢	.96	81,557	33,569	172,677
1943	157,541	.70	35¢	1.04	65,618	37,827	264,302
1944	115,049	.51	-0-	1.12	107,227	56,550	299,700
1945	58,420	.26	10¢	1.32	31,492	171,700	456,237
1946	75,785	.33	15¢	1.33	41,356	181,600	393,809
1947	97,240	.42	15¢	1.46	62,809	102,705	401,309
1948	110,154	.48	15¢	1.58	75,715	36,801	456,444
1949	95,361	.41	20¢	1.64	49,443	38,827	763,053

** The average rate per hour for the years 1939, 1940 and 1941 includes earnings realized from a Volume Bonus Plan. The rate shown for the year 1945 includes earnings realized from a Wage Incentive Plan.*
*** Expenditures for Capital Additions and Improvements do not include $174,629 Emergency Facilities which were fully amortized during the years 1941 to 1945 inclusive.*

BREAKDOWN OF 1949 SALES DOLLAR



SALES OFFICES

JOSEPH B. CLOUGH
Director of Sales

HARRY M. MINOR
Sales Manager

CUTTING TOOLS

AKRON, OHIO
D. G. McMillan

BOSTON, MASSACHUSETTS
Harold L. Henchey

BUFFALO, NEW YORK
Struebing & Buchheit, Inc.

CHARLOTTE, NORTH CAROLINA
Apex Machine Tool Supply

CHICAGO, ILLINOIS
N. W. Dorr Co.

CLEVELAND, OHIO
Godfrey Tool & Supply, Inc.
G. W. Davis
J. W. McIntyre

DAYTON, OHIO
R. B. Nuckols

DENVER, COLORADO
Silver Engineering Works, Inc.

DETROIT, MICHIGAN
E. G. Hardig

ERIE, PENNSYLVANIA
Edward Weingard

FORT WAYNE, INDIANA
George O. Desautels Co.

GRAND RAPIDS, MICHIGAN
George B. Nelson

HARTFORD, CONNECTICUT
The A. R. Shevlin Co.

HOUSTON, TEXAS
R. E. Schuller

INDIANAPOLIS, INDIANA
George O. Desautels Co.

KANSAS CITY, MISSOURI
Langdon Supply Co.

LANSING, MICHIGAN
Sturm Tool Supply Co.

LOS ANGELES, CALIFORNIA
Burgan Machinery Co.

MEMPHIS, TENNESSEE
Bud Watts Machinery Co.

MILWAUKEE, WISCONSIN
Wisconsin Tool & Machine Co.

MUNCIE, INDIANA
George O. Desautels Co.

MINNEAPOLIS, MINNESOTA
Walter R. Hammond Co.

MOLINE, ILLINOIS
John J. Normoyle Co.

NEWARK, NEW JERSEY
H. Wilson Ryno

OMAHA, NEBRASKA
McDonough Machinery & Supply Co.

PHILADELPHIA, PENNSYLVANIA
Otto Wilhelmy & Son

PITTSBURGH, PENNSYLVANIA
Tri-State Machinery Co.

SAN FRANCISCO, CALIFORNIA
Burgan Machinery Co.

ST. LOUIS, MISSOURI
Ben H. Gerker

SYRACUSE, NEW YORK
Austin Ford Logan

SAGINAW, MICHIGAN
Mahar Tool Supply Co.

TOLEDO, OHIO
Fred C. Ahrendt

TULSA, OKLAHOMA
Machinery and Equipment Supply Co.

EXPORT AGENTS

A.V.E. TRADING CORP. OF NEW YORK, NEW YORK
Belgium, Switzerland, Italy, France

CANADA
Rudel Machinery Co. Ltd.
Offices in Montreal, Toronto, Vancouver and Windsor

PRECISION PRODUCTION PARTS

FORT WAYNE, INDIANA
W. E. McGahey

PHILADELPHIA, PENNSYLVANIA
Towle & Son Co.